

SECOND SET OF INFORMATION REQUESTS OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 04-1

Respondent: Elizabeth Arangio

Information Request DTE 2-8

- Q. If the Department were to adopt the terms and conditions changes proposed by the marketers and maintained the slice-of-system policy, please address the effect on system operations and competition.
- A. As noted by KeySpan, and its Reply Comments, the Company proactively has taken steps to ease administrative burdens of the marketers.

~~RE~~ Monthly Recalls and Releases of Capacity:

Currently, and in accordance with its Terms and Conditions, KeySpan releases capacity to marketers through the expiration date of each contract. KeySpan only recalls and re-releases capacity when a marketer's pool changes to the point that requires a change in the marketer's allocation for more or fewer blocks of capacity. Therefore, because of this current practice, KeySpan already has addressed this issue. With respect to competition, the Company does not believe that the change as proposed would have any substantial impact on competition in light of the fact that KeySpan's current practices have been in effect for several years with no resulting change in the competitiveness of the Massachusetts market.

~~RE~~ Imbalance Penalties Reductions

As noted by KeySpan in its Reply Comments, an OFO is issued by a LDC only under certain circumstances that constitute a threat to the operational integrity of the LDC system.¹ An OFO is implemented in order to ensure that marketers do not cause imbalances with the upstream pipelines that then might cause the LDC to experience operational problems and to incur costly penalties. Therefore, to maintain an economic disincentive, the imbalance penalties should not be set at a level that marketers may find economic to accept. A penalty not correlated to

¹ Under § 19.2 of an LDC's Distribution Service Terms and Conditions, such circumstances include, but are not limited to: (1) a failure of the Company's distribution, storage or production facilities; (2) the near-maximum utilization of the Company's distribution, storage, production, and supply resources; (3) inability to fulfill firm service obligations; and (4) issuance of an OFO or similar notice by upstream transporters.

market prices would undermine the purpose of the penalty. Any imbalance penalty not set in parallel with market prices could pose a threat to reliable operation of the LDC's distribution system as well create costs for the LDCs' sales customers.

KeySpan believes that this is solely an operational issue and that any reduction to imbalance penalties would not result in substantial change that would improve the upstream capacity market for Massachusetts.

Synchronization of Nomination Deadlines and Procedures with Industry Standards

In its Reply Comments, KeySpan indicated that it follows the gas industry standard of requiring nominations on the business day prior to the gas industry holiday. In addition, KeySpan calculates and communicates Adjusted Target Volumes ("ATVs") in accordance with the gas industry holiday schedules. KeySpan views the synchronization of gas industry nominations standards as an operational issue that accommodates marketers and that has no effect on increasing competition in the upstream capacity market for Massachusetts.

Marketer Access to Algorithms Used by LDCs to Forecast the Usage of Non-Daily Metered Customers

Please see the Company's Reply Comments at page 17. The Company provides complete data to marketers upon request in the form of a "Broker Pool Report." This data includes for each marketer, by LDC; the customer's name, account number, rate classification, baseload volume, heating factor, capacity assignment volume, receipt point, billing cycle, original transportation date and start date with current marketer, and whether the customer is daily or non-daily metered. Just recently, one of the Company's marketers had a customer who was included in that marketer's non-daily metered pool, who had switched to oil. Once brought to the Company's attention, the marketer's pool and therefore, the ATVs were adjusted going forward. The Company does not believe that providing greater access to algorithms would have any substantial effect on competition in the upstream capacity market for Massachusetts.

Modification of the Algorithms Used to Forecast the Usage of Non-Daily Metered Customers for Summer and Winter Loads to Exclude Weather Sensitivity Calculations

In its Reply Comments, the Company stated that it recognized that temperature sensitive usage is not likely to occur during the summer months and would undertake a review of the algorithm, including the source data and load profile aspects of marketer pools to determine if changes are necessary. If deemed necessary, the Company will make the appropriate changes. On the other hand, weather sensitivity is critically important in the spring and fall shoulder periods, as well as the winter period. The Company's algorithms must certainly incorporate weather sensitivity in the calculations in order to determine the appropriate load relative to the marketer's pool in order to balance the system as a whole under the particular weather scenario.

The Company believes this request to be operationally related and if changed would not have any substantial effect on competition in the upstream capacity market for Massachusetts.